

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(76) 324 final

Brussels, 23 June 1976

## Draft Joint Committee Decision (EEC-Morocco)

derogating for 1976 and 1977 from the definition of the concept of "originating products" to take account of Morocco's special situation in certain textile products

-----

## Proposition for a Council Regulation (EEC)

derogating for 1976 and 1977 from the provisions concerning the concept of "originating products" contained in the Agreement on co-operation and the interim Agreement between the European Economic Community and the Kingdom of Morocco

-----

(submitted by the Commission to the Council)

COM(76) 324 final

### EXPLANATORY NOTE

The new Lists A and B annexed to the Origin Protocol to the Agreement with Morocco have introduced a serious barrier to exports to the Community of Moroccan clothing classified under headings 61.01 to 61.04.

These products, which, under the 1969 Origin Protocol, satisfied the conditions of origin since they were manufactured from unbleached fabrics from third countries, will no longer be regarded as originating products upon the entry into force of the new Agreement and the new List A rules, which no longer permit the use of unbleached fabrics from third countries, since they provide that weaving must be carried out in Morocco. These new rules, which are more restrictive in the case in point, are, of course, part of a set of rules which the Community has proposed to its Mediterranean co-contracting parties with a view to harmonizing Lists A and B. They are in some cases more liberal, and in others more restrictive, than the old rules. During the negotiations with Morocco, the Moroccans asked that a whole series of modifications be made to the proposed rules concerning the form of cumulation to be chosen (which was much more liberal than that actually selected), the definition of the expression "their vessels" and also various headings in List A covering textiles, mechanical engineering and electronics in particular. The negotiations proved successful as regards origin, solutions in particular being found for the problems of cumulation and the powers of the Council. With regard to the amendments to List A requested by Morocco, the Community stated its willingness to examine at a later date any practical difficulties that arose.

Close contacts and a survey carried out with the Moroccan producers concerned have revealed that a number of problems exist in the case of some products covered by Chapters 58 and 61 and also heading 51.04. Generally speaking the survey shows that links between Morocco and the Community are very close. Morocco is a traditional customer of several Community countries. In agreement with the Moroccan authorities, it has been possible, on the basis of this close relationship, to disregard the products in question covered by heading 51.04 and Chapter 58, in respect of which products Morocco is no longer seeking derogations from List A, thereby being compelled to rely on the Community for continuing supplies of intermediate products.

The only outstanding problems concern the products covered by headings 61.01, 61.02, 61.03 and 61.04. Ever since the time of the country's earlier relations with France, the manufacturing process for these goods in Morocco has been influenced by the rules of origin. Whenever the rules were changed, Morocco adapted its production processes to the new, more restrictive rules.

For instance, the liberal rules previously applied by France were replaced in 1969 by the rules banning the working of dyed fabrics from third countries. In order to comply with these new rules on origin, Moroccan industrialists purchased dyed fabrics from the EEC. After a number of years the EEC was no longer in a position to supply Morocco with dyed fabrics and the industrialists concerned have had to find other ways of satisfying the rules of origin laid down in the 1969 EEC-Morocco Agreement. They had to buy from France an entire dyeing factory, which included among other things German machinery and which has now been installed in Morocco. In doing so, they have had to tackle and solve major problems never before experienced by the ready-made clothing industry, since dyeing is, for that industry, a completely new process pertaining rather to the chemical industry. So as not to be dependent on third countries, Moroccan dyers have set up consultancy and design firms to deal with the mixtures of colours to be applied to the various fabrics. At any event, a new dyeing industry was set up in Morocco solely to take account of the rules of origin, for compared with the ready-made clothing industry it employs very few workers.

In addition to dyeing, the industry in Morocco undertakes the printing of certain fabrics. It is, incidentally, easy to establish that, with regard to the concept of sufficient processing, both processes, printing and dyeing, are equally important, dyeing being even more complicated than printing.

The 1969 rules of origin confer the status of originating products on fabrics printed by the partner country subject to certain conditions (List B) and on clothing obtained after dyeing operations have been carried out on unbleached fabrics imported from third countries and also after operations resulting in the working of fabrics printed in Morocco. Consequently, in these particular sectors, Morocco has been able, under the 1969 Agreement, to export to the Community clothing covered by Chapter 61 and originating in Morocco. Although, in 1975, the exports totalled about 2 200 metric tons, or DH 90 314 000 (DH 1 = approx. FF 0.910), the Moroccan trade balance for textiles is still in deficit. (1).

Once the new List A rules enter into force, under which dyeing carried out in Morocco will no longer be regarded as a manufacturing stage that, followed by the making up of the fabrics in that country, confers the status of originating products on clothing obtained in Morocco, the articles of clothing in question will no longer be regarded as originating products. This will bring about a deterioration in Morocco's existing trade deficit with the Community as regards textiles in particular. Morocco will have no option but to rely on supplies of unbleached fabrics which originate in the Community or in another Maghreb country. Moroccan industrialists have looked into the matter without coming up with any solution. Consequently, Morocco, anxious as always to comply with the new rules on origin, has stepped up its plans to establish a local weaving industry. Construction of factories, the capital for which will come, as in the case of the ready-made clothing industry and the dyeing industry, from domestic sources or from joint Moroccan/Community sources, is expected to start next year.

.../...

---

(1) See Annex I for breakdown of exports in 1975.

There are also plans to extend the production capacity of a number of existing weaving factories. It will, of course, be some time before these plans are implemented.

Accordingly, Morocco has requested a derogation from the new rule of origin for a period of five years as from the entry into force of new Origin Protocol. The survey carried out has shown that this derogation could be limited to an annual amount of 2 500 tons. It is proposed that the Commission decide in favour of this derogation given that the quantities in question were previously exported under the 1969 Agreement and that, as explained above, Morocco has, in the past, endeavoured to comply with the rules of origin.

Customs experts from the Member States have been consulted on this draft ; they have suggested that from a technical point of view some provisions concerning control should be included in the text and they said that they would need to be assured of the non-availability of unbleached cloth originating in the Community.

In regard to the first point Article 4 of the draft takes account of the observations made by the experts. As concerns the non-availability of the products concerned in the Community, these products could perhaps be supplied by one or more Member State, but only at non-competitive prices. Given that this case consists of allowing Morocco to continue for two years an already established activity on the basis of existing contracts, it seems that a possible raising of the price would be in contradiction with the aim desired.

As this derogation has to enter into force as from the date of entry into force of the provisions of the intermediary Agreement, the Commission should recommend to the Council to adopt the draft of the EEC-Morocco Joint Committee Decision in Annex II, as the common position of the Community for that Joint Committee. In addition, before that the Joint Committee can adopt this Decision, it is necessary that the Commission recommends to the Council to adopt the proposed Regulation in Annex III, in order that the effective entry into force of the provisions concerned shall be 1 July 1976.

It is proposed that this derogation shall be granted for a two-year period.

However, taking into consideration the period of applicability of the interim agreement, the draft decision and the proposition for a regulation are for the time being limited to the 30 June 1977.

Exports of originating products from Morocco under the previous rules

These figures cover 11 months of 1975

EEC COUNTRIES	FRANCE		GERMANY		ITALY		B.L.E.U.	
Tariff headings	Value in DH'000	Metric tons	Value in DH'000	Metric tons	Value in DH'000	Metric tons	Value in DH'000	Metric tons
61.01	30,837	927	4,458	134	584	16	17,465	255
61.02	8,444	162	3,147	103	1,168	33	184	3
61.03	11,683	194	999	15	5	0,2	244	12
61.04	854	10	1	Nil	Nil	Nil	63	1
Grand total	51.818	1.293	8.605	252	1.757	49,2	17,956	271

EEC COUNTRIES	THE NETHERLANDS		UNITED KINGDOM		IRELAND		DENMARK	
Tariff headings	Value in DH'000	Metric tons	Value in DH'000	Metric tons	Value in DH'000	Metric tons	Value in DH'000	Metric tons
61.01	2.248	70	146	5	0,3	Nil	0,8	Nil
61.02	214	5	17	0,4	0,8	Nil	1	Nil
61.03	Nil	Nil	1	Nil	Nil	Nil	21	0,3
61.04	Nil	Nil	2	Nil	Nil	Nil	Nil	Nil
Grand total	2,462	75	166	5,4	1,1	Nil	22,8	0,3

Total for 11 months (1975) : DH 82,787.900

1 945,7 metric tons

Exports over 12 months : DH 90,314 000

2,122 metric tons

Draft Joint Committee Decision No /76 derogating for 1976 and 1977 from the definition of the concept of "originating products" to take account of Morocco's special situation in certain textile products

---

THE JOINT COMMITTEE,

Having regard to the Interim Agreement between the European Economic Community and the Kingdom of Morocco, signed in Rabat on 22 April 1976, and in particular Article 28 of the Protocol concerning the definition of the concept of originating products and on methods of administrative co-operation, which forms an integral part of that Agreement ;

Whereas in order to take account of Morocco's special situation and to enable the industries concerned to adapt their production to the conditions required by the definition of the concept of "originating products", that State should be granted a derogation from the definition set out in the said Protocol;

HAS DECIDED :

Article 1

By way of derogation from the special provisions laid down in List A annexed to the Protocol on the definition of the concept of originating products and on methods of administrative co-operation, subject to the following Articles, the provisions of that list concerning textile products manufactured in Morocco which fall within headings Nos 61.01, 61.02, 61.03 or 61.04 of the Brussels Tariff Nomenclature shall be replaced by the provisions in the Annex hereto.

Article 2

For 1976 and 1977 this derogation involves the following amounts:

- for 1976 : 1 250 metric tons
- for 1977 : 1 250 metric tons

.../...

### Article 3

The movement certificates EUR.1 issued under this Decision shall bear one of the following endorsements:

- "textile derogation"
- "dérogation textiles"
- "Abweichung für Spinnstoffe"
- "deroga tessili"
- "afwijking voor textielprodukten"
- "Undtagelsesbestemmelser for tekstilstof"

The endorsement shall be made in Section No 7 "Remarks".

### Article 4

The Moroccan customs authorities shall communicate every three months to the Commission the quantities of the products for which the certificates mentioned in Article 3 have been issued. The Commission shall communicate this information to the Member States.

### Article 5

The Contracting Parties shall, as far as each is concerned, take the necessary measures for carrying out this Decision.

### Article 6

This Decision shall apply on a prorata basis as regards the quantities until 30 June 1977.

Done at Brussels,

For the Joint Committee

The Chairman

ANNEX

Products obtained		Working or processing that does not confer the status of 'originating products'	Working or processing which confers the status of 'originating products' when the following conditions are met
Customs Tariff heading No	Description		
61.01	Men's and boys' outer garments		Manufacture from yarn or unbleached textile fabrics
61.02	Women's, girls' and infants' outer garments		Manufacture from yarn or unbleached textile fabrics
61.03	Men's and boys' under garments including collars, shirt fronts and cuffs		Manufacture from yarn or unbleached textile fabrics
61.04	Women's, girls' and infants' under garments		Manufacture from yarn or unbleached textile fabrics



Proposition for a Council Regulation (EEC) No       /76 of       1976  
derogating for 1976 and 1977 from the provisions concerning the concept  
of "originating products" contained in the Agreement on co-operation and  
the interim Agreement between the European Economic Community and the  
Kingdom of Morocco.

---

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community  
and in particular Article 113 thereof ,

Having regard to the proposal from the Commission ,

Whereas an Agreement on co-operation and an interim Agreement between  
the European Economic Community and the Kingdom of Morocco were signed  
in Rabat on 22 April 1976,

Whereas in order to take account of Morocco's special situation and  
to enable the industries concerned to adapt their production to  
the conditions required by the Protocol on the definition of the  
concept of originating products annexed to those Agreements, it is  
necessary to provide for that State a derogation from the  
provisions concerning the definition set out in the said Protocol,

HAS ADOPTED THIS REGULATION :

Article 1

By way of derogation from the Protocol on the definition of the concept  
of originating products annexed to the Agreement on co-operation and  
the interim Agreement between the European Economic Community and the  
Kingdom of Morocco, subject to the following Articles, the provisions of List A  
annexed to the Protocol on the definition of the concept of "originating products"  
and on methods of administrative co-operation, forming an integral part of these  
Agreements, concerning textile products manufactured in Morocco which fall within  
headings Nos 61.01, 61.02, 61.03 or 61.04 of the Brussels Tariff Nomenclature,  
shall be replaced by the provisions in the Annex hereto.

Article 2

For                               1976 and 1977 this derogation concerns an amount  
fixed as follows :

- for 1976 : 1 250 metric tons
- for 1977 : 1 250 metric tons

### Article 3

The movement certificates EUR.1 issued under this Regulation shall bear one of the following endorsements:

- "textile derogation"
- "dérogation textiles"
- "Abweichung für Spinnstoffe"
- "deroga tessili"
- "afwijking voor textielprodukten"
- "Undtagelsesbestemmelser for tekstilstof"

The endorsement shall be made in Section No 7 "Remarks".

### Article 4

The Moroccan customs authorities shall communicate every three months to the Commission the quantities of the products for which the certificates mentioned in Article 3 have been issued. The Commission shall communicate this information to the Member States.

### Article 5

This Regulation shall enter into force on 1 July 1976.

It shall apply on a prorata basis as regards the quantities until 30 June 1977.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council

The President

ANNEX

Products obtained		Working or processing that does not confer the status of "originating products"	Working or processing which confers the status of "originating products" when the following conditions are met
Customs Tariff heading No	Description		
61.01	Men's and boys' outer garments		Manufacture from yarn or unbleached textile fabrics
61.02	Women's, girls' and infants' outer garments		Manufacture from yarn or unbleached textile fabrics
61.03	Men's and boys' under garments, including collars, shirt fronts and cuffs		Manufacture from yarn or unbleached textile fabrics
61.04	Women's, girls' and infants' under garments		Manufacture from yarn or unbleached textile fabrics